

## Message Text

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PAGE 01 EC BRU 01680 192153Z

16

ACTION EUR-12

INFO OCT-01 ISO-00 L-03 AID-05 CEA-01 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04

TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 AGR-05 /058 W

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R 191724Z FEB 76

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 563

INFO ALL EC CAPITALS 1707

AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY NICOSIA

USMISSION NATO

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E.O. 11652: N/A

TAGS: EEC, ETRD, CY

SUBJECT EC/CYPRUS: A NEW AGREEMENT IN THE WORKS

REF: 75 EC BRUSSELS 5343

1. SUMMARY: THE EC COMMISSION IS WORKING ON THE DRAFT OF A NEW EC/CYPRUS AGREEMENT UNDER THE AEGIS OF THE EC'S "GLOBAL" MEDITERRANEAN POLICY. THE AGREEMENT WOULD IMPROVE AND EXTEND THE EXISTING (1973) ASSOCIATION AGREEMENT WITH ADDITIONAL AGRICULTURAL CONCESSIONS AND WOULD ADD ECONOMIC AND FINANCIAL COOPERATION ELEMENTS. END SUMMARY.

2. ACCORDING TO VON SCHUMANN, EC COMMISSION DIRECTORATE GENERAL FOR EXTERNAL RELATIONS, THE COMMISSION SERVICES HAVE COMPLETED AND THE COMMISSION IS EXAMINING A DRAFT COMMUNICATION TO THE COUNCIL CONCERNING A NEW AGREEMENT BETWEEN THE EC AND CYPRUS. (THE EXISTING AGREEMENT WHICH ENTERED INTO FORCE ON MAY 14, 1973 EXPIRES JUNE 20, 1977.)

UNDER THAT AGREEMENT A SECOND STAGE, LEADING TO CUSTOMS

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PAGE 02 EC BRU 01680 192153Z

UNION, WAS ENVISIONED. THE NEW COMMISSION PROPOSAL IS

A MOVE IN THIS DIRECTION. VON SCHUMANN CONSIDERS THE AGRICULTURAL CONCESSIONS TO BE THE MEAT OF THE AGREEMENT, NOTING THAT THE ECONOMY OF CYPRUS IS MORE THAN EVER DEPENDENT ON AGRICULTURAL EXPORTS. THE DRAFT, HE SAID, PROPOSES IMMEDIATE CONCESSIONS ON SIGNIFICANT CYPRIOT AGRICULTURAL EXPORTS, SUCH AS CITRUS AND OTHER FRUITS, WINES AND VEGETABLES, AND INCLUDES THE POSSIBILITY OF EVEN GREATER IMPROVEMENTS BEGINNING IN 1979.

3. THE FINANCIAL PROTOCOL (OF AN UNSPECIFIED AMOUNT) WOULD BE LIMITED TO FIVE YEARS. COMMISSION SERVICES HAVE PROPOSED THAT IT INCLUDE PROVISIONS FOR LOANS FROM THE EUROPEAN INVESTMENT BANK, SPECIAL LONG-TERM LOANS AND OUTRIGHT GRANTS ALONG THE LINES OF THE MAGHREB ACCORDS.

4. THE ECONOMIC COOPERATION ASPECTS OF THE PROPOSAL CENTER LARGELY ON ACTIVITIES IN THE PRIVATE SECTOR AND IT IS ALWAYS DIFFICULT TO PREDICT HOW USEFUL THESE WILL BE.

5. ACCORDING TO VON SCHUMANN THE COMMISSION HAS NOT CONSULTED SYSTEMATICALLY WITH THE MEMBER STATES ON ITS DRAFT AGREEMENT AND IT IS DIFFICULT TO PREDICT THEIR REACTION. THEY MIGHT WISH TO DO NOTHING CONCRETE TOWARDS CYPRUS UNTIL THE RESULTS OF THE VIENNA TALKS ARE IN AND THE POLITICAL SITUATION HAS CLARIFIED ITSELF. ON THE OTHER HAND, HE THOUGHT THEY MIGHT DECIDE THAT THEY HAVE AN OBLIGATION TO ASSIST THE CYPRIOT PEOPLE EVEN IN AN UNSETTLED POLITICAL CLIMATE. IF THIS IS THE CASE IT WOULD BE POSSIBLE TO DEVISE A SCHEME WHICH WOULD GIVE MORE OR LESS EQUAL BENEFITS TO BOTH SIDES OF THE CONFLICT, E.G. CONCESSIONS ON ORANGES WHICH WOULD FAVOR THE NORTH, ON WINES WHICH WOULD FAVOR THE SOUTH, AND OTHERS ON PRODUCTS PRODUCED IN BOTH AREAS. HINTON

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